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~~SECRET~~

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Office of Security Significant Activities Week of 4 June - 10 June 1986

25X1 FROM:

25X1 Policy and Plans Staff

EXTENSION

NO.

DATE 12 June 1986

TO: (Officer designation, room number, and building)	DATE RECEIVED	DATE FORWARDED	OFFICER'S INITIALS	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
1. C/POL BR				
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~~S E C R E T~~

12 June 1986

MEMORANDUM FOR: Deputy Director for Administration

25X1 FROM: [redacted]
Director of Security

SUBJECT: Office of Security Significant Activities
Week of 4 June - 10 June 1986

1. This memorandum is for information only.

2. The activities of the Office of Security during the week of 4 June - 10 June 1986 were highlighted by the following items:

25X1 [redacted]

~~S E C R E T~~

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d. On 3 June, Chief, TEMPEST Division attended a meeting of the Countermeasures Advisory Panel where the General Services Administration (GSA) representative invited government organizations to submit their TEMPEST test and CONUS inspection requirements to GSA. GSA is proposing that they be responsible for any required TEMPEST testing domestically with funding to come from the agencies which levy the requirements. At this time, GSA has no expertise or resources to build this capability. GSA will be informed by the Office of Security that this Agency will continue to conduct its own TEMPEST testing.

e. On 6 June, Chief of the OS/Information Systems Security Division met with two representatives of the Naval Sea Systems Command. The Naval Sea Systems Command is in the process of implementing a computer security program in its command structure and is seeking support from this Agency. Future meetings are anticipated at which information will be shared by the two organizations.

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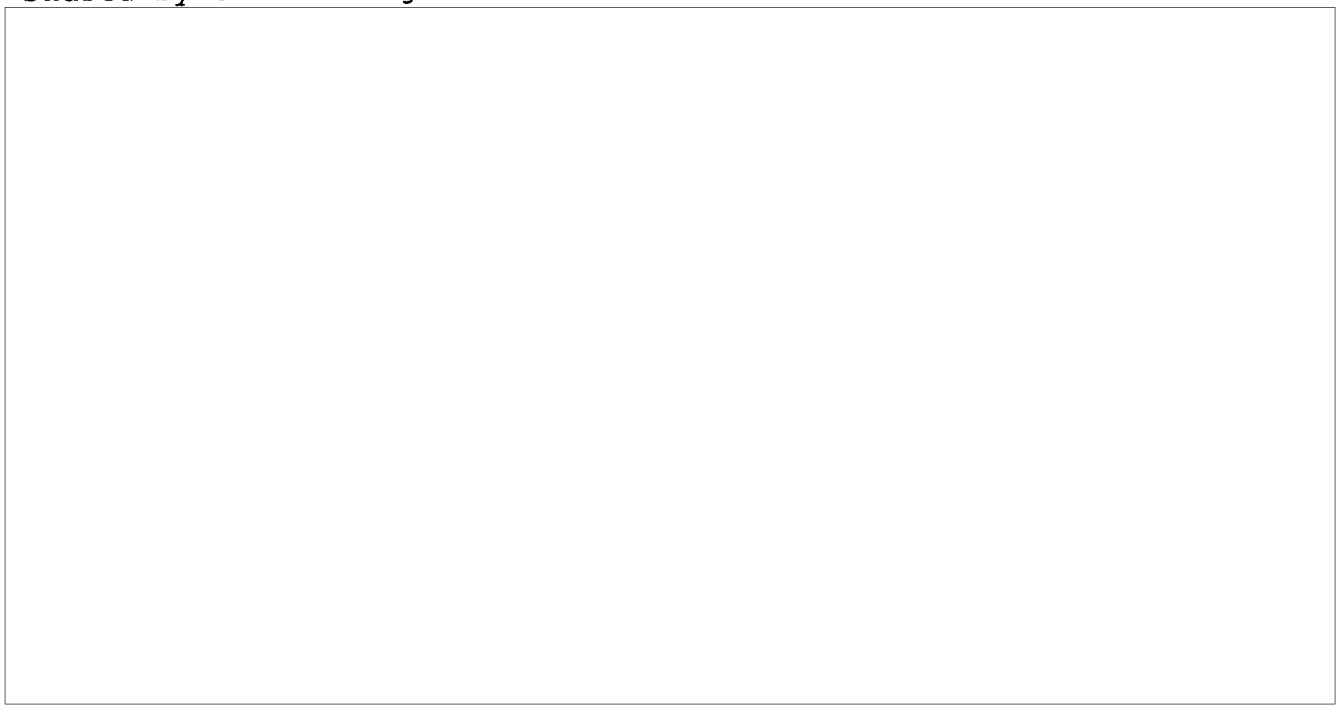

i. The Office of Security was able to gain six additional training slots, above those allotted for FY 86, for Security Protective Officers at the Federal Law Enforcement Training Center (FLETC) located in Glynco, Georgia. These six officers will attend the eight-week police training course which began on 10 June.

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* Items which might be of interest to the DCI

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ARTICLE APPEARED
ON PAGE A1
WASHINGTON POST
8 June 1986

U.S. Security Workers File for Bankruptcy

Agencies Rarely Learn of Financial Troubles

By Molly Sinclair
and Bob Woodward
Washington Post Staff Writers

A $33,000-a-year analyst at the National Security Agency has filed for personal bankruptcy three times in his 17 years as a signals intelligence specialist with a top secret clearance, most recently six months ago. Only after his second bankruptcy did NSA learn that he was in financial trouble.

A middle-level intelligence officer at the CIA filed for bankruptcy in 1983. Yet the officer, who handles top secret intelligence, said in a recent interview that he does not believe that anyone at the CIA knows of his bankruptcy.

A review by The Washington Post of 2,536 bankruptcy files in federal court in Baltimore since 1981 turned up 56 cases of U.S. government employes who work in intelligence or other national security or sensitive military positions.

Awareness of the financial difficulties of persons working in sensitive security areas has been heightened by the case of convicted spy Ronald W. Pelton, who filed for bankruptcy before quitting his job as a middle-level NSA analyst in April 1979. He subsequently began selling secrets to the Soviets, and testimony at his trial indicated that his actions were in response to his debt problems.

The potential susceptibility of people in difficult financial straits poses a dilemma for the government, particularly in a society that prides itself on simultaneously protecting national security and personal freedoms. A credit union, for instance, is barred by law from disclosing bankruptcy information about members, even to inquiring intelligence agencies, unless there is an investigation under way.

Under the federal privacy act of 1978, an employer cannot inquire about a worker's personal finances unless the person is under active investigation or the records have been subpoenaed by a court or grand jury. But some intelligence officials are concerned about government employes who know vital and sensitive secrets and are in financial trouble.

"They're sitting ducks for the KGB," said one senior intelligence official in a reference to the Soviet secret intelligence office.

There are no indications whatsoever that any of the people who filed for bankruptcy in the cases examined by The Post are engaged in espionage. In addition to the cases examined in Maryland, about 900 files were reviewed in federal courts in the District and Virginia.

According to the survey of files in Maryland, the District and Virginia, those filing for bankruptcy included: six NSA employes; three Defense Department employes based at Fort Meade, Md., the NSA headquarters; three Navy technicians at Fort Meade; 11 other Defense Department employes; three CIA employes, and one State Department employe.

Some examples are:

- An executive secretary to an assistant secretary of the Navy dealing with highly sensitive information, who filed in March and listed outstanding debts totaling $61,024.
- A systems analyst at NSA who filed for bankruptcy in 1983 and reported an annual income of nearly $40,000 the previous year and debts totaling more than $75,000.
- A U.S. Navy cryptological technician at Fort Meade, who filed for bankruptcy in 1981 listing debts of $6,100. His clearance—top secret crypto—gave him access to the most sensitive national security materials designed to ensure secure communications within the military and among the highest government officials.
- An analyst at NSA for 25 years who listed debts of $27,000 when he filed for bankruptcy five years ago, citing "insufficient funds" and business debts. His salary at the time was $23,400.

The alarm has been sounded within the intelligence community because of the spy case of Pelton, the former NSA signals intelligence specialist who sold top secret information to the Soviets for $35,000 after declaring bankruptcy and resigning from a $24,500-a-year job. U.S. officials have said he divulged details of at least five top secret U.S. intelligence projects.

A review of existing privacy laws and procedures followed by the intelligence agencies demonstrates that if an employe files for bankruptcy it is unlikely his or her agency will find out.

"We've had to cite the privacy act a number of times" to CIA officials who asked financial questions about employes, according to Juri Valdov, the general manager of Northwest Federal Credit Union, which serves thousands of current and retired CIA employes. But, he said, "it's the law and we comply." He added that CIA officials, once informed of the law, always have complied.

Valdov said that his credit union is "low on the scale of all federal credit unions for the number of bankruptcies." Nevertheless, he estimated that Northwest becomes involved in three or four new bankruptcies each year.

Tower Federal Credit Union, which serves an estimated 61,000 members, including those working at NSA and retirees there, has an average of two or three members file for bankruptcy each month, according to manager Robert Byroad.

"There is nothing unique" about the bankruptcies of the Tower members, Byroad said. "They get into a financial bind" like other people and have to file for bankruptcy, he said.

Sources have said that one of the tragedies of the Pelton case was the absence of any warning that Pelton—or anyone like him with knowledge of important U.S. secrets—needed financial help.

Michael G. Rinn, a Baltimore lawyer who handled the 1983 bankruptcy case for the CIA intelligence officer, said that the personal bankruptcy filings by individuals represent only a fraction of the people who are caught in a financial squeeze.

For each case actually filed, he

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said, there are many people in equal or more serious trouble.

"From the security area, I'd rather have someone file bankruptcy," Rinn said. "It keeps the creditors at bay. They can't be bouncing around putting pressure on someone .... The most security risks are those that have trouble and don't get help or have a plan" worked out by the bankruptcy court.

Intelligence sources said recently that there is no evidence that the KGB or other hostile intelligence services operating in the United States have active recruitment programs aimed at people with financial problems. Generally speaking, the sources said, the KGB waits for an approach, as in the case of Pelton, who just phoned the Soviet Embassy and then walked in the next day, in January 1980.

Informed of the number of bankruptcies found in a single court last week, a senior intelligence official said, "That illustrates the scope of the potential problem .... We have hundreds of people in serious debt, but the fact of a bankruptcy is probably a good sign, indicating that [someone] did not sell out. What I'd be more interested in is information on unusual spending patterns, the person who all of a sudden has large sums of *money.*"

Spokesmen for NSA would not comment on procedures for handling employes with financial problems. A Defense Department directive on the Personnel Security Program, which is being updated this year, indicates that bankruptcy itself is not grounds for denying or revoking a security clearance.

The directive says that all decisions about security clearances call for a "common sense" approach and it says that "factors which may be considered in determining whether to deny or revoke clearance" include "recent bankruptcy with continuing financial problems."

All NSA employes with top secret clearances are supposed to receive a background investigation update every five years. Credit or bankruptcy problems should surface during interviews with people who know the employes if these procedures are followed.

One former senior intelligence official said that the only way to learn of a bankruptcy between the five-year investigations is if an employe volunteers the information or if it is provided by a co-worker.

Currently, the official said, there is a significant backlog of employes awaiting five-year reviews.

The official confirmed that the privacy act protects employes from unwarranted intrusion into details of their personal finances. The law creates a serious vulnerability that could be corrected only with legislation, the official said.

Adding to the government's dilemma is the controversy over current counterintelligence efforts to protect the nation's secrets. Counterintelligence normally focuses on operatives of foreign intelligence services, such as the KGB, who are continually trying to penetrate U.S. communications, documents and secret facilities.

It also is the job of counterintelligence to track down U.S. intelligence employes, such as Pelton, who are selling secrets.

A number of members of Congress, including Sen. Malcolm Wallop (R-Wyo.), have been highly critical of U.S. counterintelligence. Last year Wallop said, "This country has virtually zero counterintelligence capability."

Bankruptcy files are public records and are frequently more than an inch thick. Anyone can go to court, examine the files and learn the employer of a person filing for bankruptcy. Often the file will give details of their job and intimate details of their indebtedness, from mortgage claims to credit card overcharges to overdue magazine subscriptions.

None of the intelligence employes who filed for bankruptcy is being identified by name in this article.

The NSA signals specialist who filed for bankruptcy three times said in an interview last week at his home in Maryland that NSA learned of his financial troubles in 1984, nine years after his first filing. The agency warned him to "shape up or ship out," the man said, because they recognized he was a security risk.

"If a person is having financial problems, he is vulnerable," he said, citing Pelton as an example. But, he said, unlike Pelton, he would never consider selling secrets to cover his debts, which he said accumulated over the years because "I got credit .... Coming from a poor family I wanted things I couldn't afford. I lived above my means and I overextended."

According to his bankruptcy records, the man received a salary increase of nearly $2,000 shortly after NSA warned him about his finances. His most recent bankruptcy filing, in February, listed debts totaling $50,892.

A 29-year-old NSA analyst with a top secret clearance whose salary was $27,600 in 1984 said she was forced to file for bankruptcy this year after her former husband, also an NSA employe, filed last year. Their creditors tried to collect from her, she said. The woman, who refused to discuss details of her job at NSA, said she once sought a debt consolidation loan from Tower Federal Credit Union, which serves many NSA employes. "They laughed at me," she said. "They said I owed too much money to get a loan."

The woman, who listed debts totaling $22,474, said she has not informed her employers of her financial difficulties and has no plans to.

"It's none of their business," she said.

The CIA intelligence officer said in an interview last week that he and his wife filed for bankruptcy after taking out a $15,000 third mortgage on their house from a Maryland credit institution that charged 30 percent of the loan, or $4,500, as a fee.

After the settlement, broker's and appraisal fees were paid, he walked away with only $6,691.50 in cash from the $15,000 loan, according to records.

The intelligence officer said the money was needed for a sensitive family illness and the only way to challenge the high rates was to file for bankruptcy.

His financial situation is now cleared up, he said, and all creditors except the Maryland credit institution were paid 100 percent of what they were owed.

The bankruptcy files provide a complete record about one financial catastrophe after another. Those having current employment normally file what is called Chapter 13 bankruptcy, which allows the payment to creditors in full or in part over a period of up to five years. Under Chapter 13 the person can retain basic personal possessions, but each must be listed for the court.

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For example, the CIA officer listed every item of clothing and its estimated value down to his four pairs of shoes, 10 sets of underwear and 12 neckties.

The Pelton case has deeply concerned intelligence officials for a number of reasons: he sold out such vital information for only $35,000; there was no system in place to warn officials when he was still with NSA and in such deep debt that he filed for bankruptcy; and two of his phone calls to the Soviet Embassy were intercepted by the FBI counterintelligence in January 1980 before he actually walked into the embassy to begin delivering top secret information.

The director of NSA, Lt. Gen. William E. Odom, addressed employes of the agency on Friday afternoon, according to sources. "He told them that the Pelton matter was over, that it was time to put it behind them," said one source.

Said a second source familiar with Odom's remarks, "When you think of those thousands of [NSA employes] . . . so good and dedicated, even brilliant, you can't know what's going on in their financial lives any more than their personal lives or their minds."

Said a third source, "Talk about vulnerability!"

Contributing to this report were Washington Post researchers Ferman Patterson and Chris Otto and staff writers Victoria Churchville, Sandra Evans, R.H. Melton, Elsa Walsh and Chris Spolar.

4.3 MILLION SECURITY CLEARANCES

VARIOUS CLEARANCE CATEGORIES REPORTED
BY THE DEPARTMENT OF DEFENSE AS OF MARCH 31, 1985

LEVEL OF CLEARANCE	DEFENSE DEPT. CIVILIAN & MILITARY	INDUSTRY	RESERVE & NATIONAL GUARD
Top Secret	454,851	128,405	40,094
Secret	2,038,984	971,912	345,541
Confidential	13,105	304,904*	15,051
TOTAL	**2,506,940**	**1,405,221**	**400,686**
Sensitive Compartmented Information	98,715	9,576	

* 300,000 cleared by contractor security officials

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11 JUN 1986

MEMORANDUM FOR: Chief, Policy and Plans Staff

25X1 FROM: [redacted]
Chief, Policy and Support Staff, PTS

SUBJECT: PTS Items for the DDA Weekly Log
5 June - 11 June 1986

25X1 [redacted]

2. On 4 June at 0725, the Ames Building Manager ordered evacuation of the building because the first floor entrance was locked due to a shortage of an FPO. According to the Building Manager, the situation constituted a violation of local fire codes. The SDO immediately contacted and briefed the Federal Protective Service Zone Commander and responded to the scene. The building was re-occupied upon the arrival of the second FPO
25X1 at 0740. [redacted]

25X1 [redacted]

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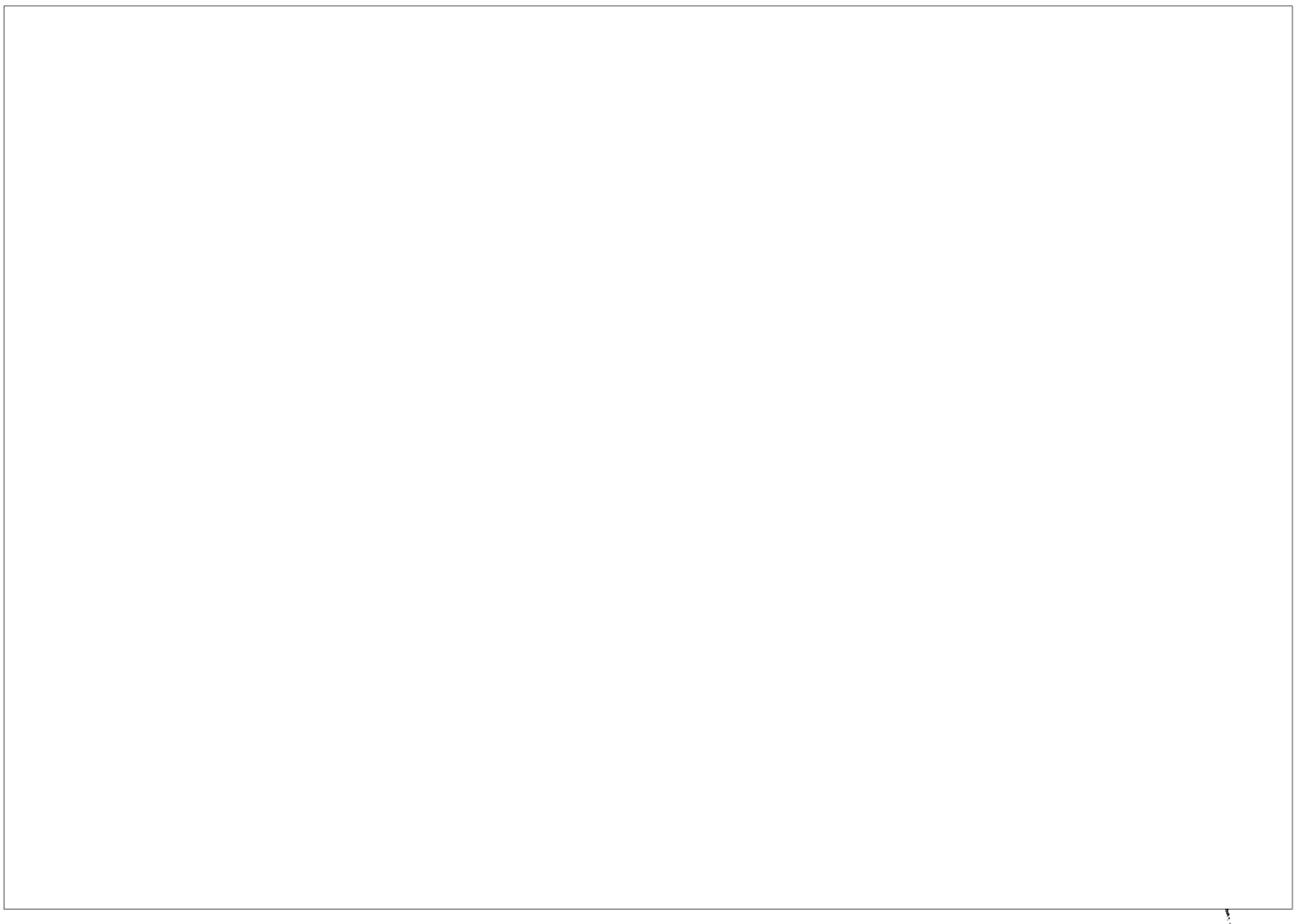

8. On 6 June, Chief, Information Systems Security Division, met with two representatives of the Naval Sea Systems Command regarding information security. The Naval Sea Command has an aggressive program to implement a computer security program in its command structure and is seeking support from this Agency. Future meetings are anticipated and information
25X1 will be jointly shared by the two organizations.

9. On 10 June, Chief, Information Systems Security Division, met with two representatives of NSA to discuss the Agency's participation in project CHOSUN. Specifically discussed was the Agency's participation on the use of TEMPEST
25X1 equipment, audit trail requirements, and the certification of the various facilities and network modes.

25X1

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10 June 1986

MEMORANDUM FOR: Chief, Counterintelligence and Support Group

25X1 FROM: [redacted]
Acting Deputy Chief, Security Support Division

25X1 SUBJECT: Weekly Log [redacted]

25X1 [redacted]

25X1 5. During this reporting period, SSD personnel have not had any contact with individuals from Capitol Hill. [redacted]

25X1 [redacted]

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SECURITY EDUCATION STAFF WEEKLY ITEMS

4 - 10 June 1986

On 5 June at the request of Security Education Staff, a Performance Appraisal Workshop was conducted by OTE for OS personnel who are or will be responsible for writing and presenting PARs to employees under their supervision. The day-long workshop included instruction on planning and writing the PAR as well as presenting and discussing its contents. Practical exercises with feedback from the instructors were also presented. The classroom was full to capacity, with 28 attendees and the overall evaluation of the course was excellent.

25X1

In concert with Clearance Division, SES began the third running of the CD Adjudication Course on 9 June with thirteen students. This course is one week long and is designed to introduce professional and para-professional employees newly assigned to Clearance Division with the six branches of CD and provide instruction in the adjudication process.

Last week SES contacted the Federal Law Enforcement Training Center (FLETC) in Glynco, Georgia, and obtained six additional slots in the 8-week police training course beginning 10 June. OS previously had no slots in this running . HSD was able to quickly identify and release six new SPOs and on 6 June SES officers prepared the necessary paperwork and briefed these personnel for travel and attendance in this course.

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SECRET

ROUTING AND RECORD SHEET

SUBJECT: (Optional) PTS Items for the DDA Weekly Log
5 June - 11 June 1986

FROM: 25X1
Chief, Policy and Support Staff, PTS 25X1

EXTENSION | NO.

DATE: 11 June 1986

TO: (Officer designation, room number, and building)	DATE RECEIVED	DATE FORWARDED	OFFICER'S INITIALS	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
1. C/PPS 25X1				
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11 JUN 1986

MEMORANDUM FOR: Chief, Policy and Plans Staff

25X1 FROM: [redacted]
Chief, Policy and Support Staff, PTS

SUBJECT: PTS Items for the DDA Weekly Log
5 June - 11 June 1986

25X1 [redacted]

2. On 4 June at 0725, the Ames Building Manager ordered evacuation of the building because the first floor entrance was locked due to a shortage of an FPO. According to the Building Manager, the situation constituted a violation of local fire codes. The SDO immediately contacted and briefed the Federal Protective Service Zone Commander and responded to the scene. The building was re-occupied upon the arrival of the second FPO
25X1 at 0740. [redacted]

25X1 [redacted]

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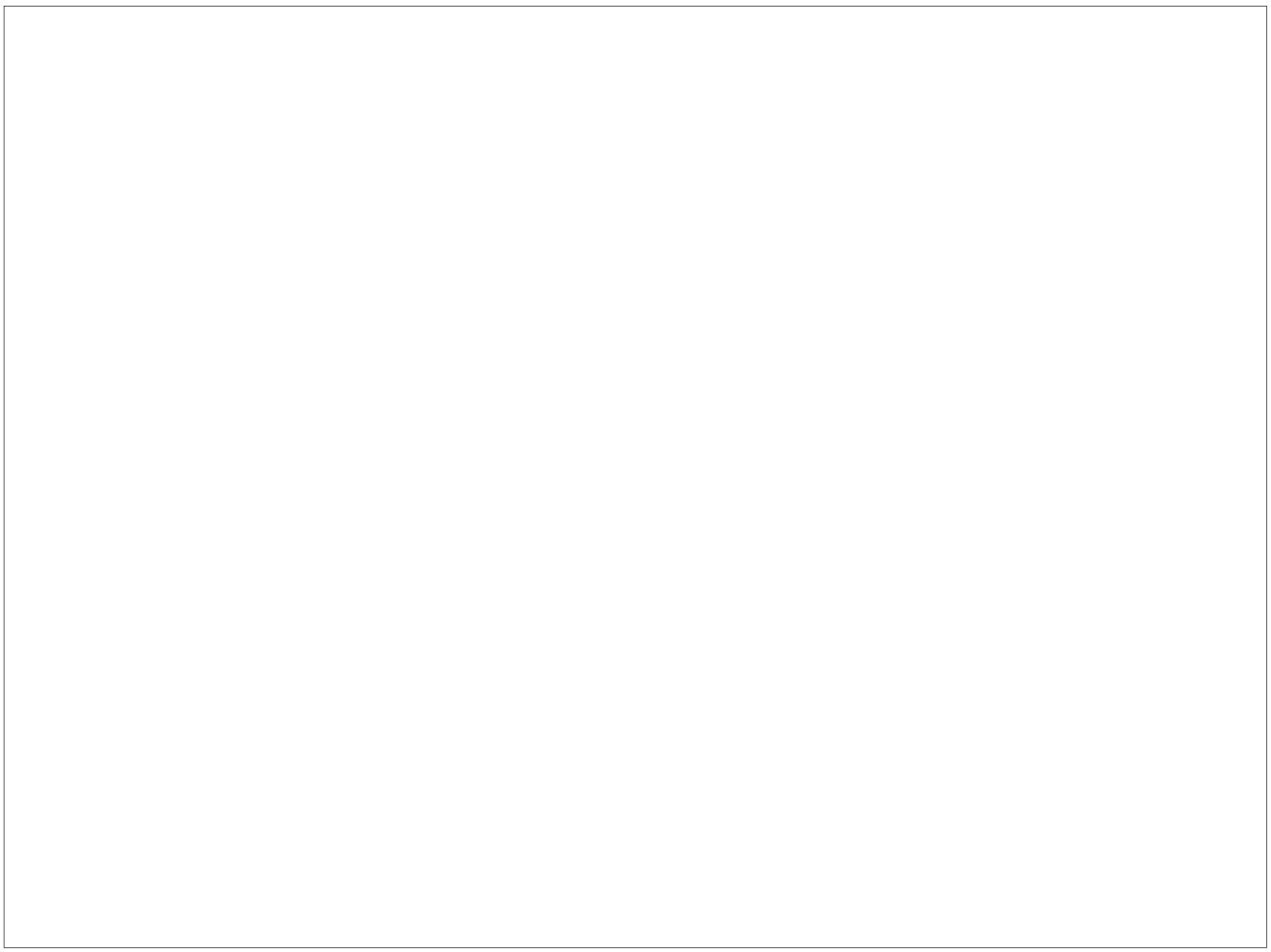

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ROUTING AND RECORD SHEET

SUBJECT: (Optional)

WEEKLY REPORT

FROM:	EXTENSION	NO.
STAT STAT Chief, Polygraph Division		DATE 9 JUN 1986

TO: (Officer designation, room number, and building)	DATE RECEIVED	DATE FORWARDED	OFFICER'S INITIALS	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
1. STAT Chief/Investigations Group	9 June 86		CBB	
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ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Weekly Log

FROM:	EXTENSION	NO.
25X1 [redacted] ADC/SSD		
25X1 [redacted]	[redacted]	DATE 10 June 1986

TO: (Officer designation, room number, and building)	DATE RECEIVED	DATE FORWARDED	OFFICER'S INITIALS	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
1. C/SSD	6/10/86	6/10/86		
2. C/CI&SG	10 JUN 1986	6/10		
3. C/PPS				
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CONFIDENTIAL

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10 June 1986

MEMORANDUM FOR: Chief, Counterintelligence and Support Group

25X1 FROM: [redacted]
Acting Deputy Chief, Security Support Division

25X1 SUBJECT: Weekly Log [redacted]

25X1 [redacted]

5. During this reporting period, SSD personnel have not
25X1 had any contact with individuals from Capitol Hill. [redacted]

25X1 [redacted]

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SECURITY EDUCATION STAFF WEEKLY ITEMS

4 - 10 June 1986

25X1

[redacted]

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25X1

[redacted]

Deputy Chief/SES

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